

as polar bears because of the ice melting that is taking place around the world. It is a very real issue and a very real problem. As we debate the future of energy, let us do it in an environmentally responsible way.

When my Republican colleagues say we can find new places to drill, such as wildlife refuges and wilderness, we can drill in all of these places and are bound to find some oil; maybe we would, but at what cost? Shouldn't America's goal be economic growth in an environmentally sensible and responsible way? That should be part of this debate as well. We cannot ignore it—the energy debate and the environmental debate together.

Whatever our solution is, it should be a solution that says to our children we will not only give you a world where you can drive and go to work with affordable gasoline prices, but we will give you a world where it is safe to live, where the environment you live in is not going to destroy the lifestyle we have enjoyed for generations. That is part of our responsibility.

I think we have a special challenge. There is a challenge to Congress to rise to the occasion which has caused concern and anger across America—energy prices that have broken the backs of individuals, families, and businesses, driving people to payday loans and pawnshops to fill up their tank so they can go to work. We need to show leadership. It starts by acknowledging that the Energy bill signed by the President last August has failed. We need a new approach. We need new leadership. We need to punish profiteers. We need to protect consumers across America. We need to promote energy independence and the new technologies of sustainable and renewable fuels that will generate new industries, new jobs, and new opportunities. That is the vision for an America moving in a new direction, a significant new direction, something the people across America have been asking for.

I yield the floor.

The PRESIDING OFFICER (Mr. DEMINT). The Senator from Arizona is recognized.

### ENERGY

Mr. KYL. Mr. President, I wish to address the same subject and begin where the distinguished Senator from Illinois left off when he talked about new leadership.

I wonder if he would join Republicans to see if we can eliminate the tariff on Brazilian ethanol, something which the Senator from Illinois suggests we need more of, one of the three solutions he says we need—more leadership, more ethanol and fuel economy standards. I think we are going to provide some leadership and we are going to provide some more ethanol. One way to do that is to reduce the extraordinary expense of bringing it in from Brazil. We haven't gotten a lot of cooperation from the other side on that. That will

be my first question to him: Will he step up and exercise leadership with us to eliminate that tariff on ethanol?

There is a 10-percent mandate in the Energy bill on ethanol. The Senator suggested we should have a higher mandate on ethanol, or a higher subsidy for that. The reality is one of the reasons gas prices have been where they are is we haven't been able to meet that 10-percent mandate. There isn't enough ethanol being produced and, therefore, because there is a lack of supply in comparison to the demand, the price has gone up, obviously. What we need to do here, instead of pointing fingers and demagoguing the issue, is to understand economics and appreciate where the real problem is. Then we can begin to solve it.

There is an old saying: For every complex problem, there is a simple and wrong solution. That is what we have mostly heard on the other side. The reality is, if you want to know the truth, the single most important component in the retail price of gasoline is the cost of crude oil—the single most important factor. Indeed, the cost of crude oil accounts for 95 percent of the price of a gallon of gasoline. Changes in the price of retail gasoline are almost entirely explained by changes in crude oil prices.

I have a chart I wish to show you which demonstrates that over the last 15 years, changes in the world price of crude oil have accounted for more than 95 percent of the changes in gasoline prices. It shows that as crude oil prices have gone up, the price of gasoline has tracked it almost exactly.

If you are looking for a culprit and why crude oil prices have gone up, it is because the demand has exceeded the supply. Countries such as China and India are demanding more and more of the product. And because of constraints imposed significantly by the Congress, we have not been adding to the supply.

There are also other problems that have created this spike recently. The largest reason, according to the folks on Wall Street, is the nuclear saber rattling from Iran, which produces about 4 million barrels of oil a day—or about 5 percent of world's supply—and it controls the Strait of Hormuz through which about 17 million barrels of Middle East oil passes every day. Some experts believe that concern about the Iranian nuclear crisis has added \$10 per barrel to the price of crude oil since the start of the year. If you add to that supply disruption in Norway and Nigeria, as well as the machinations of Venezuela's strongman Hugo Chavez, you can see there has been a spike in the world prices which have been reflected at the pump.

We have also had some domestic problems that have added to the spike in prices. The U.S. Minerals Management Service has reported that over 334,000 barrels per day of crude oil production in the gulf coast are still shut in as a result of Hurricane Katrina.

More importantly, some of the heavily damaged gulf coast refineries representing nearly 5 percent of U.S. refining capacity are still undergoing repair. But the good news is they are likely to resume production at the end of this month.

Another problem is because there was so much refining capacity that went down, the Government urged the refiners to continue refining and forego their regularly scheduled annual fall maintenance in order to keep the supply of gasoline from dropping even further. They did that. I am glad they did.

The problem now is the crisis is over and they are having to engage in that deferred maintenance. And after months of heavier than normal usage, they are finding this long overdue maintenance is reducing production out of the refineries as well. As it comes on line, we are going to see some relief.

Finally, as occurs every spring, refiners, in compliance with Federal mandated fuel regulations, have to switch from the wintertime fuel blend to the summertime fuel blend which entails completely drawing down supplies of wintertime fuel blend and replacing it with the summertime fuel blend. This obviously also causes a short-term supply disruption adding to the spike.

There are some other factors as well, having to do with the elimination of MTBE as a motor fuel additive and the mandate for ethanol production or addition to the fuel which was not initially able to comply with the 10-percent standard which has had some impact on prices, especially in much of the East Coast and Texas.

But the bottom line here is there is a variety of reasons why fuel costs and, therefore, gasoline prices have spiked. It does not do a lot of good to point the finger at somebody and say, We know the answer; we will punish them and that will solve the problem. The reality is that profits from the oil industry are now being put to use in expanding production. The industry invested nearly \$109 billion in 2004. While the numbers aren't in for 2005 yet, for first three quarters it showed investment spending was 28 percent higher than in the first three quarters of the previous year. It is projected this year to grow by double digits again.

This investment will lead to a 2.2 million barrel per day increase in production this year, outpacing demand that is expected to rise by just 1.8 million barrels per day. That, more than any of these other factors, is going to add actual fuel to the pipeline which will, therefore, enable us to bring the fuel costs down.

The bottom line here is when you are talking about solutions, you talk about that which will either reduce the demand or increase the productivity. Unfortunately, consumer demand has not been reduced that much even with the higher prices, which means you have to look for more production. There are several ways you can do this.